

Message Text

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43

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

----- 127994

R 151455Z OCT 74

FM USMISSION NATO

TO SECSTATE WASHDC 8167

INFO ALL NATO CAPITALS 4494

AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY MOSCOW

S E C R E T SECTION 1 OF 2 USNATO 5682

EXDIS

DEPARTMENT PASS ACTION SECDEF; INFO USNMR SHAPE BELGIUM

E.O. 11652: GDS

TAGS: PFOR, NATO

SUBJ: NORTH ATLANTIC SECURITY AND ECONOMIC RELATIONS

REF: A) BONN 15244; B) STOCKHOLM 4140

SUMMARY: THE COHESION OF THE ATLANTIC ALLIANCE, AND THEREFORE ATLANTIC SECURITY, DEPENDS AS NEVER BEFORE ON CONSIDERABLY MORE COOPERATIVE ECONOMIC RELATIONS AMONG THE ALLIES. IT IS NOT AT ALL CERTAIN THAT THE ALLIES WILL RECOGNIZE THIS FACT AND ACT UPON IT. SOME EUROPEANS NOW CONSIDER ECONOMICS THE ONLY THREAT TO THEIR SECURITY, AND TEND TO DISREGARD OTHER ASPECTS OF SECURITY. MOST ALLIED GOVERNMENTS LACK STRONG MANDATES WHICH WOULD ENABLE THEM TO TAKE DECISIVE ACTION IN THEIR OVERALL AND LONG-TERM INTEREST. THERE IS A DANGER THAT ECONOMIC ACTIONS, TAKEN IN ISOLATION, COULD INADVERTENTLY DAMAGE ATLANTIC COHESION AND SECURITY. THE U.S. AND THE ALLIES NEED TO ORGANIZE THEMSELVES BETTER TO HANDLE THE LINK BETWEEN ECONOMIC PROBLEMS AND SECURITY DURING THIS PERIOD. END SUMMARY

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1. THE SECRETARY'S YEAR OF EUROPE ADDRESS OF APRIL 1973 MADE THE POINT THAT THE POLITICAL, MILITARY AND ECONOMIC ISSUES IN ATLANTIC RELATIONS ARE LINKED BY REALITY. THE INITIAL REACTION TO THE SECRETARY'S REMARKS AMONG MANY

GOVERNMENT OFFICIALS AND EDITORIALISTS IN NATO COUNTRIES WAS THAT LINKING SECURITY AND ECONOMICS WAS A U.S. PLOY DESIGNED TO EXTRACT ECONOMIC ADVANTAGE, RATHER THAN SOMETHING FOUNDED IN REALITY. A YEAR AND A HALF LATER, WITH THE WORSENING OF THE INTERNATIONAL ECONOMIC SITUATION, THE SECURITY-ECONOMICS LINK SHOULD BE EVIDENT TO ALL NATO GOVERNMENTS. IT CERTAINLY IS TO CHANCELLOR SCHMIDT, WHO STRESSED AT THE NATO SUMMIT ON JUNE 26, 1974, THAT INFLATION FOLLOWED BY RESTRICTION AND THEN RECESSION, WERE "AT PRESENT THE MOST IMMINENT DANGERS TO THE CONTINUITY OF THE ALLIANCE'S COMMON STRUCTURE AND COOPERATION." AMBASSADOR HILLENBRAND HAS SINCE FURTHER DESCRIBED SCHMIDT'S STRONG FEELINGS ON THIS SUBJECT (REF A). THE PRESENT INTERNATIONAL ECONOMIC INSTABILITIES COULD AFFECT ATLANTIC SECURITY IN A NUMBER OF WAYS,

2. ALLIED DEPENDENCE ON ARAB OIL, WITH ITS FOUR-FOLD PRICE INCREASE IN THE PAST YEAR, RAISES THE SPECTRE OF UNRESTRAINED RIVALRY AMONG THE ALLIES IN SEEKING SPECIAL ARRANGEMENTS WITH THE ARABS. THE OVERWHELMING DEPENDENCE OF OUR EUROPEAN ALLIES ON ARAB OIL, AND THE LESSER DEPENDENCE OF NORTH AMERICA, CREATES THE PERCEPTION OF A BASIC DIFFERENCE IN INTERESTS WHICH POSES DANGERS TO THE ALLIANCE, PARTICULARLY IN THE EVENT OF RENEWED HOSTILITIES IN THE MIDDLE EAST.

3. BALANCE OF PAYMENTS DEFICITS OF MOST ALLIED COUNTRIES CREATE THE RISK OF UNILATERAL FOREIGN OR DOMESTIC ECONOMIC POLICY ACTIONS WHICH COULD DAMAGE THE RELATIONS OF THE COUNTRY TAKING SUCH ACTION WITH OTHER MEMBERS OF THE ALLIANCE, AND POSSIBLY RESULT IN AN ACTION-REACTION CYCLE.

4. INFLATION AND UNEMPLOYMENT RAISE SIMILAR POSSIBILITIES FOR UNCOORDINATED ACTION AND UNANTICIPATED REACTIONS. FURTHER, THEY CAN, AND IN SOME INSTANCES ARE, EXERTING PRESSURES ON ALLIED GOVERNMENTS TO REDUCE THE RESOURCES DEVOTED TO DEFENSE.

5. NOT ONLY DOES THE PRESENT INTERNATIONAL ECONOMIC SITUATION AFFECT ATLANTIC SECURITY, BUT ATLANTIC SECURITY AFFECTS THE
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ECONOMIC RELATIONS AMONG THE NATO ALLIES. THE STABILITY PROVIDED BY NATO IN THE PAST QUARTER CENTURY HAS MADE POSSIBLE THE CONFIDENCE WHICH PERMITTED THE ENORMOUS INCREASE IN TRADE AND INVESTMENT AMONG THE ALLIES DURING THIS PERIOD. THE STRENGTH OF SECURITY RELATIONS AMONG THE ALLIES HAS FACILITATED THE HIGH DEGREE OF INTERDEPENDENCE WHICH NOW CHARACTERIZES THEIR ECONOMIES. FURTHER, THIS SAME MUTUAL STRENGTH AND SECURITY HAS MADE POSSIBLE THE PURSUIT OF DETENTE INCLUDING ITS EAST-WEST TRADE COMPONENT.

6. ALTHOUGH THE INTERNATIONAL ECONOMIC SITUATION HAS DETERIORATED SINCE THE YEAR OF EUROPE ADDRESS, AND ALTHOUGH SOME OF THE ALLIED LEADERS HAVE RECOGNIZED THE LINK BETWEEN

SECURITY AND ECONOMICS, IT IS NOT AT ALL CERTAIN THAT ALLIED
GOVERNMENTS WILL RECOGNIZE, AND ACT ON THE BASIS OF, THIS REALITY:
I AGREE WITH AMBASSADOR STRAUSS-HUPE'S COMMENT IN REF B, I.E.,
THAT THE EUROPEANS FAILED TO EMBRACE ENTHUSIASTICALLY OUR PROPOSALS F
OR
A NEW ATLANTIC PARTNERSHIP WHEN THEY THOUGHT THEIR ECONOMIC
POWER ABOUT EQUAL TO OUR OWN; AND THAT EUROPEAN REALIZATION
NOW OF THE FRAGILITY OF THEIR ECONOMY MIGHT LEAD THEM, NOT TO
CLOSER COOPERATION, BUT TO A FLIGHT FROM WORLD POLITICAL
RESPONSIBILITY AND INTO NARROW EUROPEAN SEPARATISM.

NOTE BY OC/T: NOT PASSED SECDEF, USNMR SHAPE BELGIUM.

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W

----- 128131

R 151455Z OCT 74

FM USMISSION NATO

TO SECSTATE WASHDC 8168

INFO ALL NATO CAPITALS 4495

AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

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AMEMBASSY MOSCOW

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7. THE PROBLEM IS COMPOUNDED BY THE FACT THAT MOST ALLIED
GOVERNMENTS CAME TO OFFICE RECENTLY AND WITHOUT STRONG ELECTORAL
OR PARLIAMENTARY MANDATES. THIS MAKES IT EVEN MORE DIFFICULT
FOR THESE GOVERNMENTS TO TAKE DECISIVE ACTION IN THEIR OVERALL
AND LONG TERM INTERESTS. THE COURSE THAT THE
SCHMIDT AND GISCARD GOVERNMENTS TAKE IN THE DEVELOPING INTER-
NATIONAL SITUATION WILL BE CRITICAL.

8. THIS SITUATION CREATES SPECIAL DEMANDS ON U.S. POLICY. THE
U.S., LIKE OTHER ALLIED COUNTRIES, IS IN UNCHARTED WATERS IN
COPING WITH THE PRESENT ECONOMIC SITUATION. NEITHER WE NOR THE
OTHER ALLIES FULLY UNDERSTAND IT OR HAVE READY SOLUTIONS FOR IT.
THE SOLUTIONS THAT THE U.S. ADOPTS, GIVEN THE RELATIVE SIZE OF
OUR ECONOMY, WILL HAVE SIZABLE IMPACT ON OUR ALLIES. THERE IS
THEREFORE A NEED TO CLOSE CONSULTATION WITH OUR ALLIES ON ECONOMIC
ISSUES, INCLUDING HIGH LEVEL VISITS

9. HOWEVER, THERE IS AN ADDITIONAL AND PRIOR NEED BOTH FOR THE U.S. AND THE ALLIES. WE MUST ORGANIZE OURSELVES BETTER TO FORMULATE POLICY IN LIGHT OF THE LINK BETWEEN SECURITY
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AND ECONOMICS. HEADS OF GOVERNMENTS AND PARLIAMENTARIANS CONSIDER SECURITY AND ECONOMIC ISSUES TOGETHER, BUREAUCRACIES DO NOT. THIS FACT SUGGESTS THE NEED FOR THE U.S. GOVERNMENT TO PUT ITS OWN HOUSE IN ORDER, TO INSURE -- BUREAUCRATICALLY -- GREATER COHERENCE BETWEEN POLITICAL, ECONOMIC AND SECURITY DECISION MAKING. UNLESS WE DO, WE MAY FIND THE U.S. GOVERNMENT (OR EVEN THE PRIVATE SECTOR, E.G., BANKING INSTITUTIONS) TAKING ECONOMIC DECISIONS IN ISOLATION WHICH INADVERTENTLY REDOUND ADVERSELY TO BASIC LONG-TERM U.S. INTERESTS. THE U.S. MUST AVOID TAKING ECONOMIC DECISIONS IN ISOLATION THAT COULD ADVERSELY AFFECT THE SOLIDARITY OF THE ATLANTIC ALLIANCE, AS MUST OUR ALLIES.

10. WE MUST ENCOURAGE OUR ALLIES TO SEE INTERNATIONAL ISSUES AS A WHOLE, NOT ONLY AT THE TOP LEVEL, BUT ALSO DOWN BELOW WHERE POLICIES ARE SHAPED. ONE WAY TO INFLUENCE ALLIED BUREAUCRACIES TO DEAL WITH ISSUES IN A MORE INTEGRATED WAY WOULD BE TO TRY TO DO SO OURSELVES IN OUR RELATIONS WHEN THEM. FOR EXAMPLE, THERE MAY BE NEED FOR GREATER INTEGRATION OF POLITICAL AND ECONOMIC AFFAIRS IN OUR EMBASSIES IN ALLIED COUNTRIES. SIMILARLY, IT MAY BE DESIRABLE TO EXPOSE HIGH LEVEL VISITORS IN WASHINGTON AND ALLIED EMBASSIES IN WASHINGTON TO THOSE U.S. OFFICIALS WHO HAVE RESPONSIBILITIES IN BOTH INTERNATIONAL SECURITY AND INTERNATIONAL ECONOMIC AFFAIRS.

10. ANOTHER WAY TO ENCOURAGE THE ALLIES TO SEE INTERNATIONAL ISSUES AS A WHOLE IS TO CONTINUE TO INTRODUCE ECONOMIC ISSUES INTO THE NATO MINISTERIAL (THE DECEMBER, 1973 MINISTERIAL WAS, OF COURSE, WHERE SECRETARY KISSINGER INFORMED THE ALLIES THAT THE U.S. WOULD SHORTLY PROPOSE AN INTERNATIONAL ENERGY PROGRAM). THE COUNCIL SHOULD ALSO OCCASIONALLY DISCUSS MAJOR ECONOMIC

ISSUES AND THEIR IMPLICATIONS FOR THE ALLIANCE. COUNCIL DISCUSSION OF THE OIL CRISIS AND THE ALLIANCE LAST WINTER JUST PRIOR TO THE WASHINGTON ENERGY CONFERENCE SERVED AS A USEFUL REMINDER OF THE NEED FOR ALLIANCE SOLIDARITY, AND COUNCIL DISCUSSION OF THE PROBLEM AGAIN SOON COULD SERVE U.S. OBJECTIVES.

11. THE U.S. SHOULD SEEK FURTHER TO STRENGTHEN COORDINATION IN THE INTERNATIONAL ECONOMIC ORGANIZATIONS, PARTICULARLY IN THE
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ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT, WHERE THE

NATO COUNTRIES STILL CONSTITUTE A LARGE MAJORITY. IMPROVED
ECONOMIC COOPERATION AMONG THE ALLIES THROUGH THE VARIOUS ECONOMIC
ORGANIZATIONS CAN ONLY BENEFIT ALLIANCE SECURITY. FOCUSING
ALLIED ATTENTION ON THE LINK BETWEEN SECURITY AND ECONOMICS
OCCASIONALLY IN THE NATO COUNCIL AND AT THE MINISTERIALS SHOULD AID
IN THIS OBJECTIVE. FINANCE MINISTERS OF NATO COUNTRIES SHOULD
AGAIN BE REGULARLY INVITED TO MINISTERIAL MEETINGS AS IN PREVIOUS
YEARS. RUMSFELD

NOTE BY OC/T: NOT PASSED SECDEF, USNMR SHAPE BELGIUM.

SECRET

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 11 JUN 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 15 OCT 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ATO05682
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741091/abbryxus.tel
Line Count: 228
Locator: TEXT ON-LINE
Office: n/a
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: A) BONN 15244; B) STOCKHOLM 4140
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by boyleja>; APPROVED <30 JUL 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NORTH ATLANTIC SECURITY AND ECONOMIC RELATIONS
TAGS: PFOR, NATO
To: STATE INFO ALL NATO CAPITALS
MADRID
STOCKHOLM
EC BRUSSELS
OECD PARIS
MOSCOW
Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005